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CENTRAL INTELLIGENCE AGENCY

REPORT

## INFORMATION REPORT

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COUNTRY East Germany

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SUBJECT Analysis of Present Situation in Former SAGs

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THIS IS UNEVALUATED INFORMATION

1. On 20 August 1954, a meeting (Kollegiumsitzung)<sup>1</sup> in the East German Ministry for Machine Construction took place, to which a leading official of the Main Department for Planning was called. This official was requested to give an oral report to those present on the development of the former SAG enterprises which are now under the supervision of the Ministry. The number of these enterprises is 13. 25X1

2. during the eight months of German supervision over the former SAG enterprises it had become quite clear that the SAG enterprises were organized in a much better way under Soviet administration than they are now. 25X1

- a. The Soviet administrations succeeded in fulfilling their plans in a much better way than is being done under German jurisdiction. As an example, it was mentioned that the Soviet Director of the Karl Liebknecht enterprise in Magdeburg, which formerly belonged to SAG AWO, requested his staff to report daily at the close of business on a turnover of at least one million DME. If the daily report failed to show this minimum turnover, very strict measures were taken to increase it immediately.
- b. While plan fulfillment was much stricter under Soviet administration, the Soviet planning was more flexible in every respect than the German planning. If under Soviet administration a plan turned out to be unrealistic, it was changed immediately without much bureaucratic handling, while under German administration unrealistic plans are maintained over long periods and cannot be changed without a long series of red tape procedures. The Soviet managements did not hesitate to use management funds where necessary for other purposes than those originally specified, whereas the German managements are forced to adhere strictly to regulations. The Soviet managements ignored wage tariff regulations whenever this was necessary and thus were able to offer higher than prescribed salaries to skilled personnel. As a result, the average skill of persons employed in SAG's was higher.

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c. The Soviet Managements saw to it that their finance plans were not "soft", i.e. they were conceived in such a way that their fulfillment was easy and overfulfillment was the rule. This is very unlike the German finance planning, which is conceived in such a way that fulfillment is impossible in many cases.

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d. The Soviet-run SAG's did not suffer from credit difficulties. The Guarantee and Credit Bank gave easy credits when the Soviet managements applied for it. At present, the obtaining of credit is hampered by many bureaucratic measures.

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e. There were no material supply difficulties for the SAG enterprises as long as they were under Soviet direction. Now the former SAG's are suffering from the same kinds of difficulties in material supply as do all other enterprises under the Ministry for Machine Construction.

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f. The sale of the products of the SAG's while the enterprises were under Soviet management was absolutely assured and presented no difficulties whatsoever. In the present situation, the sale of products put out by these enterprises can be considered assured only for products in which the Soviets continue to be interested.

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3. [redacted] all the advantages enjoyed by the former SAG enterprises under Soviet administration have now disappeared and that these enterprises are in the same kind of difficulties as are the other German VEB's. [redacted] an increase in these difficulties must be expected in the latter part of 1954.

4. [redacted] a decision of the Council of Ministers, made shortly after the transfer of the SAG's to German administration, in which it was stipulated that the Soviet method of operating the SAG enterprises be carefully studied and, as far as possible, be maintained in these enterprises and adopted by the VEB enterprises.

1. Comment: Kollegial sessions of the Ministry are attended by the Minister, his deputy ministers, the head of the Central Planning Dept., the Party Secretary and personnel of main administrations and central depts. who are selected specifically for the meeting.

2. Comment: The remainder of the former SAG enterprises returned to German administration on 1 January 1954 are under the supervision of the Ministry for Heavy Industry.

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